

**CPUC Okays Electric Rate Hike**

The California Public Utilities Commission on Thursday (1/4/01) approved an interim rate hike of 9 percent for residences and between 7 and 15 percent for businesses. The increases were designed to help Southern California Edison and Pacific Gas and Electric weather the rising price of wholesale electric power that has gripped the state since late last Spring.

The commission's order gives the two utilities the power to increase rates for the next 90 days, but the money will stay in a separate trust account until an audit of utility finances is completed.

The commission also announced that it would meet again on January 18 to consider further options.

**Utilities say increase is too small**

Representatives for both SCE and PG&E condemned the increases as too little and too late. In a press release, SCE said the commission's action is "wholly disproportionate to the actual cost of wholesale power."

The release went on to say that the decision makes it "likely that power generators will decline to sell sufficient power to California to meet customers' needs." PG&E head Bob Glynn, Jr. was quoted in news reports saying, "I've got a fourth-grade grandson that can do the math on this. If you're buying at 27 cents and selling at 7, you're going to run out of money."

**Utilities may seek state bond**

Utilities also said they may ask the Legislature to help them remain solvent by refinancing their debt. The state would be asked to float a multi-billion dollar revenue bond package that would be paid off through a surcharge on monthly utility bills.

**Consumer groups condemn rate hike**

Consumer groups said that the rate increases given to SCE and PG&E were not justified. They argue that the utilities, as part of the deregulation program, were allowed to collect billions of dollars in rate fees when rates were low, and now want consumers to pay when rates are high.

Harvey Rosenfield of the Foundation for Taxpayer and Consumer Rights, a group proposing a ballot initiative to restore regulation, said, "This is day one of the ratepayer revolt in California."

**Financial markets downgrade utilities**

The nation's financial markets reacted negatively to the PUC rate increase, hammering utility stocks for the second straight day and cutting ratings on the two California utilities. On Thursday, the price of PG&E stock dropped 29 percent to \$12-per-share and SCE stock dropped 12 percent to \$10.75. Both are lows for the year. Prudential securities downgraded PG&E stock from "hold" to sell. The day before, Merrill Lynch downgraded the stock from "buy" to "neutral."

Bond ratings firms said they were prepared to downgrade SCE and PG&E bonds to "junk status." In a press release Thursday, the Fitch rating firm said the CPUC rate increase was "insufficient." At that level of increase "Fitch would expect to lower the securities ratings of the two utilities below investment grade," the company said in a press release.

**Davis reacts**

Governor Gray Davis issued the following statement after the PUC decision: "Four years ago, Californians were promised that deregulation would reduce the cost of electricity. If I had my way there would be no rate increase to consumers. But given the colossal failure of California's deregulation

scheme, the PUC's decision was unfortunately necessary."

Also this week, Davis named John Stevens, his chief advisor on energy matters, as an interim commissioner of the CPUC. Stevens, the Governor's staff director, was chief of staff to former Speaker Antonio Villaraigosa and was a longtime Assembly staff member.

### Speaker meeting with Governor, Burton and energy experts

Speaker Hertzberg, Assembly Utilities and Commerce Chairman Rod Wright and Assembly Speaker pro Tem Fred Keeley are working virtually around the clock to address the electricity issue.

The Speaker is meeting with the Governor and with Senator Burton frequently. He is also consulting with legal, financial and policy experts, such as David Freeman, Director of the Los Angeles Department of Water and Power.

### What the Press is saying:

- *The San Jose Mercury News on 1-4-2001*  
"Gov. Davis must keep the lights on. He didn't cause the problem, but he's got to solve it, and make sure that the solution is fair to everybody."
- *George Skelton in the LA Times on 12-21-2000*  
"Davis needs to respond boldly to the energy crisis. Davis is in a fight now, whether he wants to be or not. The public he's supposed to defend is being mugged by the 'robber barons.' It needs bold counterpunches."
- *The Contra Costa Times on 12-31-2000*  
"Electricity: A shortage of electric energy generating capacity in California and the West during peak hours of use is a major threat to the state's economic future....Any solution to the problem must focus on building power plants and increasing supplies of natural gas."
- *The Orange County Register on 1-4-2001*  
"We believe that the best solution (to the energy crisis) is to keep moving toward deregulation-the way it should have been done in the first place."
- *The Los Angeles Times on 12/9/2000*  
An excellent background report on how we got here can be found at:

[http://www.latimes.com/business/reports/power/lat\\_dereg001209.htm](http://www.latimes.com/business/reports/power/lat_dereg001209.htm)

### The Speaker Says:

- We are not here to point fingers. We are not here to assign blame. We are here to solve the problems. We are here to roll up our sleeves and get the job done, in the thoughtful, deliberative way that Californians deserve.
- We cannot, under any circumstances, allow California's electrical system to fail.
- Bankruptcy for the utilities could bring California's economy to a grinding halt. Widespread power outages – and the massive economic disruptions they would bring – could become routine.
- Under bankruptcy proceedings, creditors could force power rationing, trigger massive rate increases, or turn over California's power plants to out-of-state companies at fire-sale prices.
- Consumers deserve fairness, and they deserve to be rewarded if they are going to be asked to shoulder added risks.
- Addressing this problem is going to require a combination of conservation, addressing our needs for more power and long-term reforms to create a more stable, reliable and fair market.

The peak amount of power used each day during the past week, compared to the average a year ago and the peak for December, 2000.

### System Peak 12/27-1/3

